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Marmer Penner Inc. Newsletter

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Year-End Tax and *Guidelines* Income Planning

It is nearly the end of the year and on top of all of your normal deadlines comes the added stress of certain income tax deadlines. Here, in no particular order, are some that may be of importance to you and your clients:

- 1) Have your clients pay all arrears spousal and child support in order to gain the tax deduction. While spousal support is obviously tax deductible, the non-payment of child support where spousal support is also owing to the same parent will lead to a grinding down of the deductible spousal support for that year;
- 2) Finalize written agreements or orders that cover periodic spousal support payments made in 2011 in order to make these payments deductible for the payor;
- 3) Remind your clients to pay discretionary carrying charges in December and not January in order to reduce both taxable income and income for purposes of the *Child Support Guidelines* (“*Guidelines*”) for 2012. These payments include investment counsel fees, loan interest, bank charges and certain legal and accounting fees;
- 4) Trigger capital losses by selling investments with accrued losses on or before December 24th, as most transactions after this date will not settle until 2013. This may save income tax and reduce *Guidelines* income. Conversely, if your client has realized capital losses in excess of capital

gains in 2012 and pays support, it may be worthwhile to trigger some last-minute capital gains to avoid having an excess of capital losses in the year, which may go unused for *Guidelines* purposes, since the *Guidelines* do not specifically state that capital losses are deducted from Line 150 income to determine a payor's income. However, if both are realized in 2012, the *Guidelines* allow the capital losses to reduce the capital gains;

- 5) Avoid buying mutual funds which realized gains in 2012 as they will allocate each investor a share of these gains realized in 2012 even if the investor acquired the units late in the year;
- 6) Clients should consider buying fixed assets if they own a business, as the allowable depreciation is the same whether the asset was owned for one day or 365 days in 2012;
- 7) If your client was born in 1941, ensure that he/she converts any RRSP accounts into an annuity or an RRIF in order to avoid having the RRSP deregistered and fully included in 2012 income;
- 8) Charitable donations must be made before year-end in order to receive a 2012 tax receipt; and
- 9) If a client is planning a long winter trip, it may be prudent for them to buy travel health insurance before the end of the year in order to claim it as a medical expense for 2012.

Happy New Year from your friends at Marmer Penner Inc.

This newsletter is intended to highlight areas where professional assistance may be required. It is not intended to substitute for proper professional planning. The professionals at Marmer Penner Inc. will be pleased to assist you with any matters that arise. Please feel free to visit our website at www.marmerpenner.com.